

Message Text

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13

ACTION EUR-12

INFO OCT-01 ISO-00 ITC-01 AGR-10 OES-06 AID-05 CIAE-00

COME-00 EB-07 FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 DODE-00

PA-02 PRS-01 L-03 NSC-05 SS-15 STR-04 CEA-01 /101 W

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E.O. 11652: N/A

TAGS: OGEN, CN, CA

SUBJECT: MEDIA REACTION TO AMB. ENDERS SPEECH APRIL 29 TO EMPIRE

CLUB OF CANADA TORONTO

STATE FOR EUR/CA

USIA FOR IOP/M

1. TORONTO GLOBE AND MAIL "REPORT ON BUSINESS" SECTION, THE ONLY NATIONALLY CIRCULATED CANADIAN PAPER, GAVE THE SPEECH TOP BILLING IN ITS FRONT PAGE ECONOMIC NEWS SUMMARY. A PAGE 2 NEWS ARTICLE EMPHASIZED U.S. CONCERN THAT CANADIAN FOREIGN INVESTMENT LAWS DON'T DISCRIMINATE AGAINST U.S. COMPANIES ALREADY IN CANADA AND THAT U.S. FIRMS SHOULD BE GIVEN THE SAME TREATMENT, BASED ON CLEAR GUIDELINES, AS OTHER FIRMS WISHING TO INVEST IN CANADA. THE NEWS ARTICLE ALSO MENTIONED THAT THE AMBASSADOR DISCUSSED THE DECLINE OF DIRECT U.S. INVESTMENT IN CANADA AND POINTED OUT THAT THE U.S. ALSO SELLS CANADA CONSIDERABLE AMOUNTS OF AGRICULTURAL PRODUCTS AND OTHER RAW MATERIALS.

2. RONALD ANDERSON THE ROB'S ECONOMIC ANALYST DEVOTED HIS APRIL 30 COLUMN TO A RATHER DETAILED EXAMINATION OF THE AMBASSADOR'S
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SPEECH.

ANDERSON DISCUSSED THE DIMINISHING U.S. CAPITAL FLOW TO CANADA AND THE INCREASED CANADIAN CAPITAL FLOWS TO THE U.S. HE CITED THE AMBASSADOR'S CONTENTION THAT U.S. COMPANIES ONCE ESTABLISHED IN CANADA ARE PLOWING BACK THEIR EARNINGS INTO THE COUNTRY AND HE NOTED THAT OTHER COUNTRIES AS WELL AS THE U.S. ITSELF ARE BECOMING MORE ATTRACTIVE PLACES FOR U.S. DIRECT INVESTMENT THAN CANADA BECAUSE CANADIAN COSTS IN MANY SECTORS HAVE BECOME SO HIGH.

ANDERSON NOTED THAT THE AMBASSADOR UNDERPLAYED THE FOREIGN CONTROL OF CANADIAN INDUSTRY RESULTING FROM REINVESTMENT OF CANADIAN GENERATED EARNINGS. "BUT IT IS QUESTIONABLE, IN ANY EVENT, WHETHER CANADA WOULD BENEFIT BY HAVING FOREIGN-OWNED SUBSIDIARIES REPATRIATE THEIR EARNINGS INSTEAD OF REINVESTING THE PROFITS IN CANADA.

"THE RECENT PATTERN OF INVESTMENT WARRANTS EXAMINATION AND CAREFUL THOUGHT, PARTICULARLY IN VIEW OF THE PROSPECTIVE LARGE DEMANDS FOR CAPITAL FOR INVESTMENT IN ENERGY SOURCES, NATURAL RESOURCES AND MANUFACTURING."

ANDERSON NOTED THE AMBASSADOR'S OBSERVATION THAT LOSS OF U.S. INVESTMENT "MAY CONFORM WITH THE DESIRES OF THOSE WHO WANT TO SEE A DIMINISHING ROLE FOR U.S. ENTERPRISE IN CANADA BUT THERE IS A COST IN TERMS NOT ONLY OF CAPITAL, BUT OF ENTREPRENEURIAL ABILITY AND ADVANCED TECHNOLOGY".

"WHETHER OR NOT MR. ENDERS' STATISTICS CONFORM PRECISELY WITH THOSE THAT MIGHT BE DEVELOPED IN OTTAWA IS HARDLY IMPORTANT. WHAT IS IMPORTANT IS THAT THE UNITED STATES HAS NO NEED TO EXPORT CAPITAL" IT CAN USE EFFECTIVELY ALL THE SAVINGS IT CAN GENERATE. FURTHERMORE, AS THE U.S. AMBASSADOR SAID, 'IF YOU'VE GOT A LOT OF "COMMODITY POWER" IN TRADE WITH US, WE'VE GOT JUST ABOUT AS MUCH IN TRADE WITH YOU.'

"BOTH COUNTRIES HAVE ADVANTAGES AND DISADVANTAGES IN TRADING COMMODITIES, AND BOTH HAVE AN INTEREST IN STABILIZING MARKETS, PERHAPS THROUGH COUNTER-CYCLICAL STOCKPILING; IN ANTICIPATING AND PREPARING FOR FUTURE SHORTAGES; IN SECURING UNDERTAKINGS ON SECURITY OF SUPPLY AND IN MOVING TOWARD A MORE RATIONAL STRUCTURE OF RAW MATERIAL PROCESSING."

AFTER NOTING THAT THE U.S. PROPOSED A 60 PERCENT CUT IN TARIFFS AT THE GATT NEGOTIATIONS, AND THAT THIS WOULD ATTRACT GREATER COMPETITION IN THE DOMESTIC MARKET, MR. ANDERSON ENDED HIS COLUMN "FOR UNCLASSIFIED

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CANADA, THE BALANCE OF ADVANTAGE IS NOT CLEAR. HOWEVER, A DECISION TO GO IT ALONE, WHILE TECHNICALLY FEASIBLE FOR CANADA AND THE UNITED STATES, WOULD BE VERY COSTLY FOR BOTH."

3. CBC RADIO EVENING AND MORNING NEWS TOOK NOTE OF THE AMBASSADOR'S SPEECH. THE NATIONAL TV NETS -CBC AND CTV- AND THE ONTARIO NET, GLOBAL, DID NOT PICK UP THE SPEECH.
ENDERS

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